



Milwaukee County
Retirement Sustainability Taskforce RST
Meeting Minutes
August 28, 2018, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

Members Present:

Margaret Daun, Norb Gedemer, Michael Harper, Ralph Hollmon, Waylon Hurlburt (by phone), Jodi Mapp, Tom Meaux, Ron Nelson, Julie Seigel, Teig Whaley-Smith, Tim Coyne (for Kerry Mitchell), CJ Pahl (for Scott Manske), Raisa Koltun (for Chris Abele) Meeting called to order at 2:44 pm

Item 1 Presentation by David Draine: Review of Recommendations and Stress Testing Discussion

Full presentation available at <http://county.milwaukee.gov/RST>

Questions/Discussion:

Next steps: preparation of report summarizing recommendations, public hearing (tentatively Oct 16 at 2:30pm, at the courthouse), final taskforce meeting to approve report (tentatively November 8 at 2:30, at MATC). Today we hope to complete final motions.

Q: We have a technical quorum, but what are other opportunities for input?

A: Weightier motions were approved at our previous meeting where 90% of taskforce was present. We have two others today. There will be a public hearing, and a final meeting of RST will be held for final report. The final report will then be forwarded to the County Executive and the County Board for consideration.

Q: Will we revisit the previous motions? Or are those a done deal?

A: We weren't planning to redeliberate those motions, but you are able to do that. We will review them to refresh your memory. We have the third, and then a fourth that was submitted after our last meeting. After we vote on those, we will vote on the package as a whole, as discussed at our previous meeting.

Q: We did those resolutions as drafts, and they're approved, but should we polish the language? To clarify the intent a little more? Would we need to revote on that then? Making the language a little clearer, more balanced. Is that something to consider, or not?

A: It is at the pleasure of any member of the task force whether to reopen these or propose amendments. My feeling is if we want to change a word and all agree it is a technical change, we could do that by unanimous consent, rather than having to amend and revote.

Q: (Tom Meaux) I was unable to attend the last meeting, but I would like to go on record as saying I would have voted yes on both motions. Very happy with what I've seen so far. What was the vote?

A: The first was unanimous, the second had one no vote. (Jodi Mapp clarified she abstained from Motion #1)

Q: Was a freeze on the COLA considered at the last meeting?

A: Yes, the language related to modeling the WRS would involve a freeze. There was consensus around doing something about the COLA, some wanted to eliminate, some freeze, and some wanted to lower it to a different number. The last sentence in the motion instructs the board to consider that as an option. The intent has been to achieve consensus. We tried very hard to craft language that everyone was comfortable with. There is less specificity, but everyone agrees on the direction for the most part.



Milwaukee County
Retirement Sustainability Taskforce RST
Meeting Minutes
August 28, 2018, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

Q: If there are changes to motions/wordsmithing, will that be noted in the report?

A: The motions will appear as passed, but there will be context within the report to explain. We won't change the wording.

The taskforce took up Motion #3, which had been proposed at the July meeting but tabled at the suggestion of Scott Manske pending receipt of additional information on Pew's stress testing guidelines. The facilitator explained that underlined language had been added to make language more consistent with Motions 1 and 2. He also stated that Mr. Manske had received the information from Pew and was now supportive of the motion.

Motion #3

The task force recommends that the Milwaukee County Executive and Milwaukee County Board of Supervisors adopt a requirement that ERS engage in regular financial monitoring and stress testing per guidelines recommended by Pew, and that it consider other financial and operational best practices.

Q: If we make the changes we propose, we aren't guaranteed that the plan will perform effectively. The market affects it as well.

A: We are at year nine of an economic expansion, we know a downturn is coming. Stress testing can help budget for this.

Q: Is the stress testing more for the plan, or are you going to stress test the county budget?

A: It's more about stress testing for the plan, but it is also helpful to know what revenue projections look like when considering future employer contributions. That ground was covered at an earlier meeting. Important questions to consider: Can your government handle the next recession? Can your government handle the risk it faces? Let's think about a comment from a previous meeting about how we don't want to have to convene another taskforce a few years down the road. Instead, we can build a system that tracks this so we can know how things are going and correct if needed.

Q: What does ERS do now in terms of stress testing and monitoring?

A: There is an assessment (asset liability study), but it could be more forward facing/public. The current studies are not an accessible document that lend themselves to public consumption. Can be done annually. Can be more actuarially focused. Incorporate the revenue side. Also, we have a very good board looking at this now, and there isn't always this amount of attention paid. We want to lock that in. Right now, there is a stress testing report on what happens if you don't hit certain return rates, but it isn't robust enough to say how that impacts employee contribution/rates, etc. There is also a unique accounting aspect. Every audited report that's pushed out assumes the fund is closed and looks at what you're responsible for at that time. We can add long-term projections assuming either a constant or some other level of growth.

Q: This motion would entail an additional annual cost for ERS, so I request that that financial consideration is added. I think it would be worthwhile for these resources to be allocated appropriately. If this is mandated by the County to ERS, then the County has to pay the cost, right?

A: That is our understanding. We will get the info on the administrative costs in further steps.

Q: Do we want to change regular to annual, or leave that up to the county/pension board?

A: Pew Guidelines say annual



Milwaukee County
Retirement Sustainability Taskforce RST
Meeting Minutes
August 28, 2018, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

Q: Who would have oversight and supervision? The pension board?

A: There can be multiple homes for this kind of analysis. Different states do it differently.

Q: The plans being referenced are ones with considerably more resources than Milwaukee County. I'm concerned that if we put additional mandates on ERS or on Milwaukee County staff, we won't have the resources for it.

A: Fundamentally, much of this could be done by the plan actuary (Seigel).

Q: If we can't have financial testing, etc. done, why are we running the fund in the first place? We pay a fortune for financial stress after the fact. I think it's far cheaper to do it up front, and I think it's an embarrassment if we don't have it.

Q: Do we want to add language to this motion that acknowledges a potential cost that would be involved in stress testing and more robust financial modeling? Or is it implicit?

A: I think it's implicit. To me, it's pretty clear. But if you want, add a footnote.

Amended Motion #3 (Meaux, seconded by Gedemer)

The task force recommends that the Milwaukee County Executive and Milwaukee County Board of Supervisors require and provide funding for regular financial monitoring and stress testing per guidelines recommended by Pew, and that ERS and the County consider other financial and operational best practices.

Motion adopted unanimously.

Motion #4

The RST recommends that the County Executive and County Board adopt a policy that the County's goal is to fully fund the ERS by 2036 and that it shall allocate the appropriate resources to do so, which includes: (a) maintaining a 20-year amortization period; (b) lowering the assumed rate of return to a number reasonably recommended by the plan actuaries; and (c) segregating any new non-designated revenue streams (i.e. increase in internet sales tax, etc.) to funding the Actuarial Required Contribution (ARC).

Q: It is relevant to the different levers we discussed previously. Does the taskforce want to opine to stay the course on these issues? Parts A and B are things the committee has had conversations about but that the first three motions didn't address.

Q: I don't like A, I think the county needs more flexibility. For example, in case of a recession. We are required to pay current costs first. It would be a mistake to restrict the county in this way.

A: We could make this more general if you desire. (i.e. would require to fully fund by 2036 but allow the county to determine the best way to do so). I think it would be helpful for the taskforce to make a comment on amortization and assumed rate of return.

Q: We've heard about A and B, I haven't heard anything about C. I have concerns about whether this motion has the best interests of the county in mind. We have very few ways to go with our problems. The county will get a small part of the internet sales tax, and we would need more from the state.

Q: The comptroller just released the new 5 year forecast with expenditures exceeding revenue. We need to grow the revenue streams to close the gap we currently have, which is our ongoing cost to continue. I don't think we would be in support of something like C for that reason. A and B are good



Milwaukee County
Retirement Sustainability Taskforce RST
Meeting Minutes
August 28, 2018, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

goals in general, but we should look at how these all play together. I don't know if it's something we should be setting in stone for the county.

Q: I think we could limit it to A and B. When we're looking at a constantly increasing gap to fund our ongoing operations, looking at revenues, perhaps in its most benign form, everyone agrees that funding the pension should be a top priority. One of the challenges and opportunities in the budgeting process is to identify most critical needs.

Q: The county sets the amortization period, while the pension board sets the assumed rate of return. That's within their responsibilities. We need all these parts to move together. Something to keep in mind.

(Read amended Motion #4 aloud.)

Q: I think in some ways this is ok, but it's very wordy. It reminds me of a balanced budget amendment. What happens in a crisis? Should we water it down by saying "encourages"? How do we do this without jeopardizing the county?

Q: I'm a lot more comfortable with this now. We have given some flexibility for dealing with the environment. Deal with the issues without tying their hands in dealing with issues we can't imagine at this time. We'll never get it perfect, but I think this is good.

Amended Motion #4 (Meaux, seconded by Hollmon)

The RST recommends that the County Executive, County Board, and ERS (a) maintain a maximum 20-year amortization period; (b) reasonably lower the assumed rate of return to a number recommended by the plan actuaries; and (c) prioritize the allocation of resources to appropriately address ERS' unfunded liability.

Motion adopted unanimously.

Q: Under this motion, if we do the COLA reduction, the money doesn't automatically go to reduce the unfunded liability?

A: That's correct. Most of the savings would be used to move current or future employees to the WRS system, any further savings would need to be allocated by the County during the budget process. Note that maintaining the amortization and lowering assumed rate of return would stabilize and accelerate the payment of the unfunded liability.

Q: Was there a model that looked at reducing COLA but not going to WRS?

A: Yes, in previous presentations. This model was based on the proposed package.



Milwaukee County
Retirement Sustainability Taskforce RST
Meeting Minutes
August 28, 2018, 2:30 PM
Milwaukee Area Technical College Room M616
700 W State Street Milwaukee WI 53233

Q: In the analysis where COLA was reduced, is there any sense that the saved money goes to pay the unfunded liability?

A: If you instruct us to. This is the first time we are having this discussion. We could re-open Motion #4 and add this language and re-vote.

Amended Motion #4 (Nelson, seconded by Meaux)

The RST recommends that the County Executive, County Board, and ERS (a) maintain a maximum 20-year amortization period; (b) reasonably lower the assumed rate of return to a number recommended by the plan actuaries; and (c) prioritize the allocation of resources to appropriately address ERS' unfunded liability, which includes allocating any net savings produced by the RST's recommendations to reduce the unfunded liability.

Motion adopted unanimously.

Full package (Motions #1 and #2 at July 24 meeting and Motions #3 and #4 adopted today). Approval moved by Schmitt, seconded by Hollmon.

Package of motions adopted unanimously.

Notes:

It will take 3-4 weeks to produce the preliminary report.

There will be no September meeting.

Public Hearing is scheduled for October 16, 2018, 2:30 pm.

Final RST Meeting is scheduled for November 8, 2018, 2:30 pm.

Adjourned at 4:37pm.